

of BOS-BDT bills sent in both States during the last month of each respective period is roughly comparable. See id. ¶ 119. In addition, the number of billing disputes and the amounts of such disputes are comparable to the levels in New York. See id. ¶¶ 119-121. And CLECs already have conceded that the billing systems in New York allow them to compete. See id. ¶ 119; see also, e.g., WorldCom PA 271 Lichtenberg Reply Decl., CC Docket No. 01-138, ¶ 19 (FCC filed Aug. 6, 2001) (“in other states, including New York, WorldCom received auditable electronic bills from the time it initially entered the local residential market”); Z-Tel PA 271 Reply Comments, CC Docket No. 01-138, at 6 (FCC filed Aug. 6, 2001) (“Verizon knows how to make a billing system work, as evidenced by its performance in Massachusetts and New York.”).

Finally, Verizon measures the accuracy of its wholesale bills using essentially the same performance measurements used in Pennsylvania at the time of Verizon’s application in that State. See McLean/Wierzbicki/Webster Decl. ¶ 126.<sup>65</sup> As the results reported under these measurements show, from August through October, the level of billing adjustments for CLECs was comparable to the level of adjustments for Verizon’s own retail customers. See id.<sup>66</sup>

#### **6. Technical Support and Change Management.**

Verizon provides CLECs in New Jersey with the same support mechanisms and processes that it provides in its 271-approved States and throughout the former Bell Atlantic

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<sup>65</sup> During the course of the State proceedings, only one CLEC alleged that it received inaccurate carrier bills from Verizon. This CLEC did not, however, provide any supporting data for its claims, including even a quantification of charges that it alleged were erroneous. See McLean/Wierzbicki/Webster Decl. ¶ 123. This is not surprising, as the facts show that this CLEC’s claims involved negligible amounts. See id.

<sup>66</sup> Verizon also has analyzed its performance in New Jersey under three billing measurements, adopted in Pennsylvania, that report Verizon’s performance for those CLECs that have elected to receive the BOS-BDT bill as their bill of record. See Guerard/Canny/DeVito Decl. ¶ 122; Pennsylvania Order ¶ 41 & nn.157-158. Although there is limited data for these measurements — the first CLECs to adopt the BOS BDT bill as their bill of record did not do so until October — Verizon had perfect performance on these measurements in that month. See Guerard/Canny/DeVito Decl. ¶ 122 & Att. 4.

service areas. See McLean/Wierzbicki/Webster Decl. ¶ 131. In each of these States, the Commission found that Verizon satisfies the checklist. See Pennsylvania Order ¶¶ 12, 51; Massachusetts Order ¶ 102; New York Order ¶ 101; Connecticut Order ¶ 51. Moreover, KPMG has examined Verizon's procedures for establishing and maintaining relationships with CLECs and found it satisfactory in all respects. See McLean/Wierzbicki/Webster Decl. ¶ 132; KPMG NJ Report at 22, 25-72.

*First*, Verizon provides CLECs doing business in New Jersey with the same extensive information, training, and assistance as it provides to CLECs in its 271-approved States and throughout the former Bell Atlantic service areas. See McLean/Wierzbicki/Webster Decl. ¶ 149. This includes handbooks, technical documentation that Verizon frequently updates and supplements, and numerous training sessions. See *id.* ¶¶ 149-156. In addition, Verizon offers CLECs in New Jersey access to the same well-staffed Help Desk that is used by CLECs in its 271-approved States, and that provides a single point of contact for a wide variety of problems that CLECs may encounter. See *id.* ¶ 157; see also Massachusetts Order ¶ 114 (finding that Verizon "provides the technical assistance and help desk support necessary to give competing carriers nondiscriminatory access to its OSS"); New York Order ¶ 127 (finding that Verizon's training and assistance "provide[] efficient competitors a meaningful opportunity to compete").

*Second*, Verizon has adopted the same Change Management Process in New Jersey that it uses in its 271-approved States and across the former Bell Atlantic footprint. See McLean/Wierzbicki/Webster Decl. ¶ 133; see also Pennsylvania Order ¶ 51; Massachusetts Order ¶¶ 102-113; New York Order ¶¶ 111-112; Connecticut Order ¶ 51. As in those States, Verizon provides CLECs in New Jersey "with timely change management notification and documentation." New York Order ¶ 114; see Massachusetts Order ¶ 104. In fact, from August

through October 2001, Verizon met the Change Management on-time standards for 100 percent of the change confirmations and notifications made during that period. See McLean/Wierzbicki/Webster Decl. ¶ 141; see also Massachusetts Order ¶ 105 (relying on comparable performance); New York Order ¶ 114 (same). In addition, KPMG has examined the Change Management Process and found it satisfactory in all respects. See McLean/Wierzbicki/Webster Decl. ¶ 141; KPMG NJ Report at 29-33.

*Finally*, Verizon provides CLECs in New Jersey with the same testing environment offered to CLECs in its 271-approved States, which allows all competing carriers to test the interaction of their systems and interfaces with Verizon’s pre-ordering and ordering interfaces and OSS. See McLean/Wierzbicki/Webster Decl. ¶¶ 143-144; see also Massachusetts Order ¶ 109 (approving Verizon’s testing environment). Moreover, KPMG conducted an extensive review of the CLEC test environment and test procedures, and it found that Verizon satisfies every test criterion. See McLean/Wierzbicki/Webster Decl. ¶ 148; KPMG NJ Report at 61-64.

### **III. VERIZON IS FULLY IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 272.**

As in Verizon’s 271-approved States, Verizon will provide all services that are subject to the requirements of section 272 through one or more separate affiliates (collectively, the “272 Affiliates”) that comply fully with the requirements of that section and the Commission’s rules.<sup>67</sup>

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<sup>67</sup> As required by the 1996 Act, the services that will be provided through the 272 Affiliates include any interLATA services originating in New Jersey that are covered by section 272(a)(2)(B). Under section 271(j), private line and 800 services receive unique treatment for these purposes: any such services that terminate in New Jersey are deemed to originate there, while such services that originate in New Jersey are deemed to terminate there. As a result, these types of services are subject to the requirements of sections 271 and 272 on the terminating (rather than the originating) end. While some have claimed that section 271(j) should be construed as an additional restriction, the plain language of that section makes clear that they are incorrect. In reality, section 271(j) reverses the normal presumption and treats the terminating end of 800 and private line services as the originating end — hence, the section 271(j) restriction applies only on the terminating end for these services.

The Commission found in each of those previously approved States that Verizon “demonstrated that it will comply with the requirements of section 272.” Pennsylvania Order ¶ 124; Massachusetts Order ¶ 227; New York Order ¶ 403; Connecticut Order ¶ 73. That finding applies equally here.

**A. Verizon’s Separate Affiliates Comply Fully with the Structural and Transactional Requirements of Section 272(b).**

Verizon’s 272 Affiliates are operated as independent carriers and conduct business with Verizon (and all of its other local BOC affiliates) on an arm’s-length basis. Accordingly, the 272 Affiliates comply with the five requirements of section 272(b): First, the 272 Affiliates will operate independently as required by section 272(b)(1); second, the 272 Affiliates will maintain separate books, records, and accounts; third, the 272 Affiliates will have separate officers, directors, and employees; fourth, the 272 Affiliates will not obtain credit under any arrangement that would permit a creditor to have recourse to the assets of Verizon; finally, Verizon will use the same practices to ensure that transactions between it and the 272 Affiliates will be conducted on an arm’s-length basis, reduced to writing, and available for public inspection. See Browning NJ Decl. ¶¶ 6, 11-12; Browning PA Decl. ¶ 17 (App. I, Tab 1); New York Order ¶¶ 406, 408-414.<sup>68</sup>

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<sup>68</sup> As explained below, Verizon also meets the requirements of section 272(c). See Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, Report and Order, 11 FCC Rcd 17539, ¶ 170 (1996). Certain accounting and record-keeping services for each of Verizon’s 272 Affiliates are performed by other affiliated centralized services companies that are not separated under section 272. See Browning NJ Decl. ¶ 6; see also Browning PA Decl. ¶ 17e. The Commission has made clear, however, that such shared-service arrangements are permitted. See Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905, ¶¶ 168, 178-186 (1996).

**B. Verizon Will Comply with the Nondiscrimination Safeguards of Section 272(c).**

The Commission's finding in Verizon's 271-approved States that Verizon "will comply with section 272(c)(1)" applies equally to New Jersey. See New York Order ¶ 417; Massachusetts Order ¶ 228; Connecticut Order ¶ 73; Pennsylvania Order ¶ 124. Specifically, as in its 271-approved States, Verizon will not discriminate between the 272 Affiliates and any other entity in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards. See Browning NJ Decl. ¶¶ 6, 13; Browning PA Decl. ¶ 20.

For the same reason, the Commission's finding that Verizon has "demonstrate[d] that its BOCs account for all transactions with its section 272 Affiliates in accordance with the accounting principles designated or approved by the Commission" also applies to New Jersey. New York Order ¶ 415. As in its 271-approved States, Verizon will account for any transactions with the 272 Affiliates as required by section 272(c)(2) and will comply fully with the Commission's cost allocation and affiliate transaction rules. See Browning NJ Decl. ¶¶ 6, 14; Browning PA Decl. ¶ 27.

**C. Verizon Will Comply with the Audit Requirements of Section 272(d).**

Verizon also "will comply with section 272(d), which requires an independent audit of a BOC's compliance with section 272 after receiving interLATA authorization." New York Order ¶ 416; Massachusetts Order ¶ 228; Connecticut Order ¶ 73 & n.187; Pennsylvania Order ¶ 124 & n.430. As in its 271-approved States, Verizon has mechanisms in place for retaining independent auditors and making records available to verify compliance with the Commission's rules in order to comply with section 272(d). See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 34.

**D. Verizon Will Fulfill All Requests in Accordance with Section 272(e).**

Verizon will not discriminate in favor of its 272 Affiliates with respect to requests for telephone exchange and exchange access services. See New York Order ¶ 418; Massachusetts Order ¶ 229; Connecticut Order ¶ 73; Pennsylvania Order ¶ 124. *First*, Verizon will fulfill requests for telephone exchange and exchange access services from unaffiliated entities within the same time period in which Verizon fulfills such requests for its own retail operations. See 47 U.S.C. § 272(e)(1); Browning NJ Decl. ¶¶ 6, 11; Browning PA Decl. ¶ 21. *Second*, Verizon will not provide any facilities, services, or information concerning the provision of exchange access to its 272 Affiliates unless such facilities, services, or information are made available to other providers of interLATA service on the same terms and conditions. See 47 U.S.C. § 272(e)(2); Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 22. *Third*, Verizon will charge its 272 Affiliates or impute to itself (if using access for the provision of permitted interLATA services of its own) an amount for telephone exchange and exchange access services that is no less than the amount charged to unaffiliated interexchange carriers for such service. See 47 U.S.C. § 272(e)(3); Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 23. *Fourth*, Verizon will provide interLATA or intraLATA facilities or services to the 272 Affiliates only if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions. See 47 U.S.C. § 272(e)(4); Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 24.

**E. Verizon and Its Affiliates Will Comply with the Joint Marketing Provisions of Section 272(g).**

As in its 271-approved States, Verizon will comply with the requirements of section 272(g) in New Jersey. See New York Order ¶¶ 419, 421; Massachusetts Order ¶ 228; Connecticut Order ¶ 73; Pennsylvania Order ¶ 124. Specifically, Verizon's 272 Affiliates will not market or sell local exchange service provided by Verizon except to the extent that Verizon

permits non-affiliated long distance carriers to do the same. See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 26. Moreover, Verizon will not market or sell interLATA service provided by its 272 Affiliates in an in-region State until Verizon has received authorization to provide such service in that State. See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 25.

Verizon plans to market its services jointly with those of its 272 Affiliates, as permitted by section 272(g)(3), see New York Order ¶ 419; AT&T Corp., 220 F.3d at 632, and to permit the sharing of Customer Proprietary Network Information (“CPNI”) with its 272 Affiliates in accordance with 47 U.S.C. § 222 and the Commission’s holdings that CPNI is not subject to section 272(c). See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 20m.<sup>69</sup>

**F. Verizon’s Compliance Program Will Ensure Satisfaction of Its Obligations Under Section 272.**

Finally, the Commission found that Verizon had “demonstrate[d] that each affiliate has implemented internal control mechanisms to prevent, as well as detect and correct, any noncompliance with section 272.” New York Order ¶ 405; see Massachusetts Order ¶ 228; Connecticut Order ¶ 73; Pennsylvania Order ¶ 124. Verizon will continue its compliance efforts, which are designed to ensure compliance with the requirements of section 272. See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶¶ 38-40. For example, Verizon has established an Affiliate Transactions Compliance Office (“ATCO”), which centralizes the corporation’s compliance

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<sup>69</sup> See also Implementation of the Telecommunications Act of 1996: Telecommunications Carriers’ Use of Customer Proprietary Network Information and Other Customer Information, Second Report and Order and Further Notice of Proposed Rulemaking, 13 FCC Rcd 8061 (1998) (“CPNI Order”); Implementation of the Telecommunications Act of 1996: Telecommunications Carriers’ Use of Customer Proprietary Network Information and Other Customer Information, Order on Reconsideration and Petitions for Forbearance, 14 FCC Rcd 14409 (1999); see also Implementation of the Telecommunications Act of 1996: Telecommunications Carriers’ Use of Customer Proprietary Network Information and Other Customer Information, Clarification Order and Second Further Notice of Proposed Rulemaking, 16 FCC Rcd 16506, ¶ 25 (2001) (“our finding . . . that the term ‘information’ in Section 272(c)(1) does not include CPNI remains intact,” because Tenth Circuit vacated the CPNI Order on other grounds).

efforts, reviews affiliate transactions, maintains Verizon's Affiliate Transactions Policy, and conducts employee training on section 272 compliance. See Browning NJ Decl. ¶ 6; Browning PA Decl. ¶ 41.

#### IV. APPROVING VERIZON'S APPLICATION IS IN THE PUBLIC INTEREST.

The Commission has held that "compliance with the competitive checklist is, itself, a strong indicator that long distance entry is consistent with the public interest." New York Order ¶ 422. As described above, there is no question that the checklist is satisfied in New Jersey. In addition, the Commission has explained that it "may review the local and long distance markets to ensure that there are not unusual circumstances that would make entry contrary to the public interest." Id. ¶ 423. No such unusual circumstances exist here; to the contrary, the evidence is overwhelming that Verizon's entry into long distance in New Jersey is in the public interest.

*First*, the local market in New Jersey is unquestionably open and there is significant local competition. And, as Verizon's experiences in New York, Massachusetts, and Pennsylvania unambiguously demonstrate, Verizon's entry into the long distance market in New Jersey will further promote local competition there.

*Second*, mechanisms are in place to ensure that the local market will remain open after Verizon's entry. The New Jersey BPU has established TELRIC rates for unbundled network elements; Verizon reports its performance in New Jersey under substantially the same performance standards that are in effect in Verizon's 271-approved States; and Verizon has a comprehensive performance assurance plan in effect that places an unlimited amount of bill credits at risk.

*Finally*, Verizon's entry will greatly enhance long distance competition. Verizon's provision of long distance service in New York, Massachusetts, and Pennsylvania provides



empirical proof that Bell company entry into long distance leads to lower prices for long distance service.

**A. Local Competition in New Jersey Is Already Thriving, and Verizon's Entry Will Increase Local Competition Further Still.**

Local markets in New Jersey are unquestionably open to competition.<sup>70</sup> Throughout New Jersey there is competition from all types of competitors using all three entry paths provided under the Act. See Taylor Decl. ¶¶ 7-20 & Att. 1 ¶¶ 3-5; Brief Att. A, Ex. 3. As described in more detail below, this extensive competition is all the more impressive given the unique characteristics of local telecommunications markets in New Jersey. Moreover, as Verizon's experiences in its 271-approved States prove, Verizon's entry into the long distance market in New Jersey will further promote local competition there.

**1. There is Extensive Local Competition in New Jersey Through All Three Entry Paths Provided Under the Act.**

The facts on the ground unambiguously show that competitors have entered the local market in New Jersey using all three entry paths provided under the Act; that competition comes in all shapes and sizes; and that competition is taking place across the State.

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<sup>70</sup> Verizon disagrees as a legal matter that the Commission may conduct any analysis of local competition in its public-interest inquiry. Under the terms of the Act, the public-interest inquiry should focus on the market to be entered: the long distance market. The statute requires that "the requested authorization" be consistent with the public interest. 47 U.S.C. § 271(d)(3)(C). The "requested authorization" is to provide in-region, interLATA services. See id. § 271(b)(1). Therefore, the statute's public-interest focus is clearly on the long distance market, not the local market. This reading finds strong support in section 271(c)(2)(B), which sets forth an intricate competitive checklist, and section 271(d)(4), which states that "[t]he Commission may not . . . extend the terms used in the competitive checklist." It is implausible that Congress would have spent countless hours honing the checklist and would also have enjoined the Commission from improving or expanding upon it, but somehow would also have authorized the Commission to add further local competition-related requirements in the context of its public-interest review.

Moreover, this competition is all the more impressive because of New Jersey's unusual demographic characteristics. While New Jersey is the most densely populated state in the country, a relatively small proportion of its population lives in large urban areas. Indeed, of the most 15 populous states in the country, New Jersey has the *lowest* proportion of its inhabitants living in large cities. See Brief Att. A, Ex. 4. This is significant, of course, because — as the Commission repeatedly has recognized — facilities-based competition initially has “focused on larger business customers in large cities, not on residential or small business customers.”<sup>71</sup> The fact that New Jersey lacks a significant major urban population therefore means that it is inherently less likely than other more urban States to attract competitive local carriers. And the fact that this is not what has occurred, further demonstrates that that Verizon's local markets are open.

*Competitors in New Jersey are using all three entry paths.* As of October 2001, competitors in New Jersey already served a conservatively estimated 564,000 lines. See Taylor Decl. ¶ 6 & Att. 1 at Table 1. Competitors are serving approximately 507,000 business lines, more than 70 percent of which they are serving either wholly or partially over facilities they deployed themselves (including in all cases their own local switches). See id. ¶ 17 & Att. 1 ¶ 4.

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<sup>71</sup> Deployment of Wireline Services Offering Advanced Telecommunications Capability, Memorandum Opinion and Order, and Notice of Proposed Rulemaking, 13 FCC Rcd 24011 (1998); see also Indus. Anal. Div., FCC, Local Competition at 2 (Dec. 1998) (“Facilities-based CLECs appear to have concentrated in more urbanized areas.”); Applications of Teleport Communications Group Inc., Transferor, and AT&T Corp., Transferee, for Consent To Transfer of Control of Corporations Holding Point-to-Point Microwave Licenses and Authorizations to Provide International Facilities-Based and Resold Communications Services, Memorandum Opinion and Order, 13 FCC Rcd 15236, ¶ 37 (1998) (“local competition appears to be emerging most quickly in central business districts of major urban areas”); Common Carrier Bureau Seeks Comment on Local Competition Survey, Public Notice, 13 FCC Rcd 9279 ¶ 10 (1998) (“data describing local competition in narrowly defined geographic areas — for example, for individual cities, or separately by urban, suburban, and rural areas within a state — may be of interest because local competition has tended to develop first in the largest cities”).

Competitors are serving approximately 126,000 business lines through resale, and approximately 21,000 business lines through unbundled network element platforms. See id. Competitors also are serving approximately 57,000 residential lines in New Jersey. See id. ¶ 19 & Att. 1 ¶ 4.

Competitors are serving approximately \*\*\* residential lines either wholly or partially over facilities they deployed themselves (including in all cases their own local switches), approximately 800 residential lines through unbundled network element platforms, and approximately 56,000 residential lines through resale. See id.

*Competition in New Jersey comes in all shapes and sizes.* New Jersey has attracted competition from a wide variety of CLECs, including two of the biggest CLECs in the country (AT&T and WorldCom), many smaller ones (e.g., Broadview and MetTel), and numerous resellers (e.g., CTC Communications and Lightyear Communications). See id. ¶¶ 13-14 & Att. 1 ¶¶ 23-48. There are at least 20 competitors providing facilities-based service to business customers in New Jersey. See id. ¶ 8 & Att. 1 ¶ 14. In addition, there are at least five competitors providing service to business customers through UNE platforms, and at least three competitors that provide platform-based service to residential customers. See id. Att. 1 ¶¶ 24-27, 43.<sup>72</sup> There also are more than 70 resellers in New Jersey, including at least six carriers reselling service to residential customers. See id. Att. 1 ¶¶ 22, 24-27, 37, 43.

*Competition is taking place across New Jersey.* As the attached map demonstrates, every statutory mode of competition — facilities based, resale, and UNE — is being provided in every area code of New Jersey. See Brief Att. A, Ex. 3. Competitors in New Jersey have ported at least 17,000 local telephone numbers in each of New Jersey's area codes, which indicates that

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<sup>72</sup> There is competition for both large and small business customers in New Jersey. For example, there are competitors serving business with between one and three lines in every one of Verizon's wire centers in New Jersey. See Taylor Decl. ¶ 18.

these competitors are using their own local switches to serve customers in these areas. See Taylor Decl. ¶ 15 & Att. 1 ¶¶ 13-14 . There is at least one or more competitor that has ported a local number in wire centers that contain 94 percent of Verizon business lines in New Jersey, and two or more competitors that have ported a local number in wire centers that contain 88 percent of Verizon's business lines in New Jersey. See id. ¶ 16. Competitors in New Jersey are reselling local service in every single wire center in New Jersey, and 95 percent of Verizon's wire centers in the State contain at least 100 resold lines. See id.

**2. Allegations that Residential Competition in New Jersey Is Limited Are Legally Irrelevant and Factually Misplaced.**

During the course of the State proceedings, the principal complaint by the incumbent long distance carriers and others was that the level of residential competition was somehow too small to permit Verizon to enter the long distance market. Of course, this claim is ironic coming from the very carriers who together serve literally hundreds of thousands of business customers in the State but who have consciously chosen not to enter the residential market. In any event, these are the same rejected arguments that Verizon's opponents made during the proceedings regarding the applications for Verizon's 271-approved States, and these arguments are just as legally irrelevant here as they were in those prior proceedings. As the Commission repeatedly has held:

Given an affirmative showing that the competitive checklist has been satisfied, low customer volumes or the failure of any number of companies to enter the market in and of themselves do not undermine that showing. Factors beyond the control of the BOC, such as individual competitive LEC entry strategies might explain a low residential customer base. We note that Congress specifically declined to adopt a market share or other similar test for BOC entry into long distance and we have no intention of establishing one here.

Pennsylvania Order ¶ 126.<sup>73</sup> Moreover, while Verizon's opponents have argued that low levels of competition necessarily mean that Verizon's market-opening measures have not yet been fully tested and that Verizon's long-distance entry is therefore premature, Chairman Powell has correctly observed that "[t]here will never be a 271 . . . to which there will not be a community of competitive entrants . . . like AT&T who will not scream that it was premature. Why? Because as far as they're concerned entry will never be right."<sup>74</sup> Indeed, but for the legally irrelevant allegations about the state of local competition in New Jersey, AT&T and other competitors raised virtually no genuine disputes during the course of the state proceedings concerning aspects of Verizon's performance that *are* relevant under the Act.

In any event, just as allegations about the state of local competition in New Jersey are inapposite as a legal matter, they are entirely misguided as a factual matter. As demonstrated above, there is extensive local competition in New Jersey, and that competition is taking place across the State and through all three entry paths under the Act. Moreover, the majority of the local competition in New Jersey is *facilities-based*. See Taylor Decl. ¶ 9. This is particularly important, of course, because — as Chairman Powell recently stated — “[f]acilities-based competition is the ultimate objective” of the Commission's competition policy.<sup>75</sup> Moreover, as

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<sup>73</sup> See also Massachusetts Order ¶ 235 (same); Kansas/Oklahoma Order ¶ 268 (same); Arkansas/Missouri Order ¶ 126 (same); Pennsylvania Order ¶ 126 (“We disagree with those commenters that assert under our public interest examination we must consider the level of competitive LEC market share, the financial strength of competitive LECs and the failure of other BOCs to enter the market . . . as evidence that, despite checklist compliance, the local market is not yet truly open to competition.”); Texas Order ¶ 419 (rejecting as irrelevant under the public interest test allegations “that the local market . . . is characterized by: the low percentage of total access lines served by competitive LECs; the concentration of competition in [large cities]; . . . [and] modest facilities-based investment.”); New York Order ¶ 426 (same).

<sup>74</sup> Powell Defends Stance on Telecom Competition, Communications Daily, May 22, 2001.

<sup>75</sup> Michael K. Powell, Digital Broadband Migration — Part II at 4 (Oct. 23, 2001), at <http://www.fcc.gov/Speeches/Powell/2001/spmcp109.pdf>; see also Promotion of Competitive

the DOJ has observed, the fact that competitors have “commit[ted] significant irreversible investments to the market (sunk costs) signals their perception that the requisite cooperation from incumbents has been secured or that any future difficulties are manageable.” Schwartz Aff. ¶ 174.

While these facts alone are more than enough, there is numerous additional evidence demonstrating that Verizon’s local markets are open, and that local competition in New Jersey is far more extensive than Verizon’s opponents have attempted to portray it. Indeed, the facts here clearly prove that, while the number of residential lines served by competitors in New Jersey may be lower than in other States, this is due entirely to “[f]actors beyond the control” of Verizon. Pennsylvania Order ¶ 126 (“Factors beyond the control of the BOC, such as individual competitive LEC entry strategies might explain a low residential customer base.”). In particular, the retail rates for residential local exchange service in New Jersey have been set at the lowest level in the country, and as a result competitors have chosen not to compete for residential customers in the State. See Taylor Decl. ¶ 23. As an independent consultant recently testified before the New Jersey BPU: “the fact of the matter is that competitive local exchange carriers, many of whom are my clients, have no interest in serving the consumer market.”<sup>76</sup>

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Networks in Local Telecommunications Markets, Notice of Proposed Rulemaking and Notice of Inquiry in WT Docket No. 99-217 and Third Further Notice of Proposed Rulemaking in CC Docket No. 96-98, 14 FCC Rcd 12673, ¶ 4 (1999) (“in the long term, the most substantial benefits to consumers will be achieved through facilities-based competition”); UNE Remand Order ¶ 110 (“the construction of new local exchange networks” benefits consumers, the Commission has explained, because facilities-based carriers “can exercise greater control over their networks, thereby promoting the availability of new products that differentiate their services in terms of price and quality”).

<sup>76</sup> Application of Verizon New Jersey, Inc. for Approval (i) of a New Plan for an Alternative Form of Regulation and (ii) To Reclassify Multi-Line Rate Regulated Business Service as Competitive Services, and Compliance Filing, Transcript, Docket No. TO01020095, at 128 (NJ BPU Aug. 13, 2001) (testimony of John Malone, CEO, Eastern Management Group); see also Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All

The retail rate for basic local exchange service provided to residential customers in New Jersey is capped at \$8.19 per month. See Taylor Decl. ¶ 23; see also New Jersey BPU, Status of Local Telephone Competition: Report and Action Plan, Docket No. TX98010010, at 16 (July 1998) (“BPU Local Competition Report”) (App. E, Tab 2) (basic residential retail rates “are currently capped between \$4.40 and \$8.19 for a majority of the State’s residents). This rate was set by the New Jersey BPU more than 15 years ago, and has remained at that same level since that time. See BPU Local Competition Report at 16 (“Since 1985 the rate for Bell Atlantic New Jersey’s basic residential service has been no higher than \$8.19”). The rate is so low that it is the *lowest* basic retail residential flat rate in the entire country. See Taylor Decl. ¶ 22 & Att. 2.

CLECs have admitted that the low retail rates for residential service are the reason they have chosen not to compete for residential customers in New Jersey. For example, in its 1998 report on the Status of Local Telephone Competition in New Jersey, the BPU stated: “The CLECs have also indicated in this proceeding that New Jersey’s state policy to keep basic residential service rates affordable has resulted in rates that are an ‘inhibitor’ to competition in the local land line residential market for both resale and facilities based market entry strategies.” BPU Local Competition Report at 16. The BPU further stated that “[t]he major CLECs’ testimony on New Jersey’s basic service rate indicates that the major CLECs may have a business reason for the limited amount of land line residential competition in New Jersey that could be incongruous with the public policy of this State, which has been to cap the price of

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Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, Notice of Inquiry, 13 FCC Rcd 15280, ¶ 72 (1998) (“New entrants naturally respond to the economic signals. Today those signals, stemming from price regulation that sets residential prices far below business prices without sufficient cost justification, have been a factor contributing to market forces which are skewing competitive entry and investment very largely toward the business market.”) (internal quotation marks omitted).

basic residential service at the current low and affordable rates.”<sup>77</sup> Moreover, in a May 2000 Position Paper submitted to the BPU, Sprint stated that it “strongly believes that one of the most effective steps the Board can take to encourage the development of competition in the local service markets is to move retail rates for access lines toward the costs of those lines.”<sup>78</sup> According to Sprint, “[i]f an ILEC’s retail rates for access lines are priced on a cost basis . . . CLECs will be able to compete for residential customers.”<sup>79</sup> Similarly, WorldCom recently acknowledged that, “[i]f in fact [Verizon-New Jersey’s] residential retail basic exchange rates are found to be subsidized, it constitutes a barrier to entry into the residential sector of the market.”<sup>80</sup>

The fact that there is extensive competition for retail business services in New Jersey — the rates for which are significantly higher than (nearly double) the residential rates — further demonstrates that the level of residential retail rates has deterred residential competition in New Jersey. See Taylor Decl. ¶¶ 31-34.<sup>81</sup> Given the widely accepted view that businesses tend to be the most highly valued telecommunications customers,<sup>82</sup> it defies economic logic to suggest that Verizon would somehow choose to open its markets fully to competition for its business

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<sup>77</sup> BPU Local Competition Report at 16.

<sup>78</sup> Sprint Position Paper, Docket No. TO99120934, at 2 (NJ BPU filed May 25, 2000).

<sup>79</sup> Id.

<sup>80</sup> Declaration of Merwin R. Sands on behalf of WorldCom, Inc., Docket No. TO01090541, ¶ 47 (NJ BPU filed Oct. 19, 2001).

<sup>81</sup> See also Bell Atlantic-New Jersey, Inc., Tariff B.P.U. – N.J. – No. 2, § 5.2.1 (eff. Sept. 1, 1999).

<sup>82</sup> See, e.g., Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd. for Authority to Transfer Control of Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 22, 63 and 90 of the Commission’s Rules, Memorandum Opinion and Order, 16 FCC Rcd 15293, ¶ 9 (2001) (“The Commission has recognized that such business customers, in particular larger businesses, generally face more competitive choices than residential customers, and that business customers are more attractive to competitive LECs than residential customers.”).



customers, but keep them closed to competition for the lower-value residential customers. See Taylor Decl. ¶ 34.<sup>83</sup> Indeed, the fact that there is extensive competition for business customers in New Jersey creates a strong presumption that something *other* than Verizon's behavior is responsible for the fact that competition in residential markets may not have developed as quickly. See id. Moreover, the extensive business competition throughout New Jersey also proves that Verizon's local markets as a whole are open because Verizon offers CLECs who are serving business customers the exact same systems, processes, procedures — and wholesale rates — as it offers to CLECs serving residential customers. See id. ¶ 6.

There also is extensive competition for intraLATA toll services in New Jersey, which provides still further proof that retail rates have deterred competition for basic residential services. In New Jersey, the regulatory decision to create extremely low basic rates went hand in hand with the decision to establish very small local calling areas, thereby subjecting a comparatively large amount of local traffic to toll charges. See id. ¶ 27. Indeed, the ratio of intraLATA toll calls to local calls in New Jersey is approximately three times the national average, and three times the average in Verizon's 271-approved states. See id. The intraLATA toll market in New Jersey is the fourth largest intraLATA toll market in the country. See id.<sup>84</sup>

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<sup>83</sup> See Alfred E. Kahn, Timothy J. Tardiff, & Dennis L. Weisman, The Telecommunications Act at Three Years: An Economic Evaluation of Its Implementation by the Federal Communications Commission, 11 Info. Econ. & Pol'y 319, 357 (Dec. 1999) ("surely if the failure of local competition to emerge ubiquitously were the result of ILEC obstructionism in carrying out their obligations under the Telecommunications Act, that competition would have appeared *last, not first*, in those very business markets: the ILECs would have resisted it most fiercely there, because those are (or were) their most profitable markets by far, regulation having forced them to hold prices there far above cost in order to cross-subsidize residential service. This experience clearly suggests that the failure of local competition for residential service to emerge has the simple and sufficient answer that its basic rates currently remain subsidized by correspondingly elevated rates for other services.").

<sup>84</sup> See also Amy Westfeldt, BPU President Who Oversaw Deregulation Resigns, Associated Press State & Local Wire, Mar. 19, 2001 (noting that the intraLATA toll market in

The unusually large size of the intraLATA toll market in New Jersey has meant that competition for residential service in New Jersey has focused disproportionately on local toll service rather than on basic local exchange service. See Taylor Decl. ¶ 28.<sup>85</sup> Today, AT&T, WorldCom, Sprint, and others compete vigorously for intraLATA toll traffic in New Jersey, and have captured approximately 40 percent of this market. See Taylor Decl. ¶ 29.<sup>86</sup>

Finally, the entry-deterring effect of low retail rates for residential service also is demonstrated by the fact that none of New Jersey's cable operators has begun offering cable telephony services to residential customers in the State. New Jersey is both a dense and wealthy state, both of which make it an attractive target for cable telephony. See Taylor Decl. ¶¶ 35-37.<sup>87</sup> Moreover, the cable operators that serve New Jersey are among the nation's largest — Comcast, Cablevision, Time Warner, and RCN. See Taylor Decl. ¶¶ 35, 39-43. Each of these cable operators has deployed cable telephony in at least one other state where they provide cable

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New Jersey is an approximately \$700 million market).

<sup>85</sup> As the BPU has recognized, however, even competition for intraLATA toll service has been affected by the state's low basic service rate, presumably because many CLECs prefer to provide a bundle of both basic and local toll service. See BPU Local Competition Report at 16 ("New Jersey's low basic service rate may also underscore the reasons why New Jersey was not one of the eight states selected by a major CLEC to test the resale market entry strategy even after the Board opened New Jersey's lucrative intraLATA toll market in 1994.").

<sup>86</sup> The BPU implemented intraLATA toll presubscription in 1997, and, coincident with that decision, reclassified Verizon's intraLATA toll services as "competitive." See Investigation of IntraLATA Toll Competition for Telecommunications Services on a Presubscription Basis, Slip Opinion, Docket No. TX94090388 (NJ BPU May 28, 1997). According to one news account, "[w]ithin hours of being allowed to compete for local toll-call business, AT&T salespeople were on the telephone, offering potential customers discounted rates, compact discs, and a chance to win a free vacation." Kevin DeMarrais, Competition Comes to N.J., Bergen Record, May 7, 1997, at A03.

<sup>87</sup> See, e.g., Howard Fine, Moving the Boundaries of Technology: Cable Monopolies May Be Toppled by Installation of New Fiber-Optic Systems, L.A. Bus. J., Dec. 11, 2000, at 1 (quoting RCN spokeswoman Nancy Bavec: "We look at a specific market from a density standpoint, where we stand the greatest chance of gaining market share . . . . This is especially important when you're trying to build a network from scratch, as we are.").

service. See id. And most have deployed cable modem service in New Jersey, which means they already have completed a significant portion of the upgrades that are needed to provide cable telephony services. See id.<sup>88</sup>

Despite all this, none of the cable operators in New Jersey is offering cable telephony in the State. See id. New Jersey is, in fact, the only state among the top five states in per capita income in which cable telephony is not available, and only one of three states (along with Delaware and Nevada) among the 12 wealthiest states without such service in any part of the State. See id. ¶ 36. Likewise, New Jersey is the only state among the top five in population per square mile in which cable telephony is not available, and again only one of three states (along with Delaware and Ohio) among the 12 most densely populated states without such service in any part of the State. See id. ¶ 37.

Because cable telephony is provided entirely over a cable operator's own cable network, and does not require any unbundled network elements from an incumbent LEC, Verizon's wholesale systems and prices have no impact on a cable operator's decision to offer cable telephony. See id. ¶ 44. Verizon's *retail* rates, however, are relevant to a cable operator. Where residential retail rates have been set very low (as in New Jersey), the cable operator also will have to establish very low rates, which reduces the incentive for the cable operator to make the investment to provide cable telephony in the first place. See id.<sup>89</sup>

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<sup>88</sup> See also McKinsey & Co. and J.P. Morgan H&Q, Broadband 2001 at 39 (Apr. 2, 2001) (noting that the provision of IP telephony over cable "is easy to implement because it requires no additional outside plant investment, draws heavily on the core data service infrastructure, and only requires modest incremental equipment investments"); id. at 40 (noting that the provision of circuit switched telephony over cable increases the "upgrade cost by approximately 20% per home, or about \$25-40 per home passed, depending on market density.").

<sup>89</sup> See also Reed Hundt, Former Chairman, FCC, The Telecom Act Five Years Later. Is it Promoting Competition?, Panel Discussion in Hearing of the Senate Antitrust, Business Rights and Competition Subcommittee of the Judiciary Committee (May 2, 2001) ("In terms of

**3. As Actual Experience in States with Section 271 Approval Unequivocally Proves, Granting Verizon Long Distance Relief Will Prompt Still Further Local Competition.**

Verizon's entry into the long distance market in New Jersey will lead to an increase in local competition in the State, just as it has done in other States where section 271 relief has been granted. As the Commission's own Local Telephone Competition report confirms, "[s]tates with long distance approval show [the] greatest competitive activity."<sup>90</sup> In fact, "CLEC market share in New York and Texas . . . are over 135% and 45% higher than the national average, respectively."<sup>91</sup>

This is hardly surprising: a Bell company's imminent or actual entry into the long distance market is the catalyst that finally forces long distance incumbents to enter local markets for mass-market customers. New York was the first state in which a Bell company received long distance relief, and it was the first state in which AT&T, WorldCom, and Sprint began extensively serving mass-market customers. Texas was the second state in which a Bell company received long distance relief, and it was the second state in which the long distance incumbents began extensively serving mass-market customers. And in both New York and Texas, the long distance incumbents responded to impending BOC entry by rolling out new, lower-priced bundles of local and long distance services that typically are marketed uniquely to customers in those states.

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residential, voice, telephone service . . . about 40 percent of all consumers are paying less than the cost to provide a service. . . . And there's no way that someone else is building an overlapping network to repeat the experience of offering a below-cost service.").

<sup>90</sup> FCC News Release, Federal Communications Commission Releases Latest Data on Local Telephone Competition (May 21, 2001).

<sup>91</sup> Id.; see also Jerry A. Hausman, Effect of BOC Entry into InterLATA and IntraLATA Service in New York and Texas, at [http://www.iacompetition.org/html/full\\_hausman.html](http://www.iacompetition.org/html/full_hausman.html) ("BOC entry led to a large and statistically significant effect on CLEC shares for local residential service in New York and Texas").

The long distance incumbents have made significant headway in marketing these bundles. In New York, for example, WorldCom has nearly 440,000 mass-market customers, and AT&T — which began providing service about six months after WorldCom — has more than 750,000 mass-market customers.<sup>92</sup> And more than 70 percent of the net growth in CLEC lines in New York in 2000 resulted from CLECs serving increasing numbers of residential customers.<sup>93</sup> These mass-market customers are in addition to the literally hundreds of thousands of additional business lines served by AT&T and WorldCom over their own facilities.

Verizon's entry in New York has not only sparked increased competition from the long distance incumbents, but also has sparked added local competition across-the-board. In the first 22 months since Verizon's entry in New York, the number of local lines served by competitors there has increased by more than 130 percent, including a 345-percent increase in UNE-Platform lines and an 80-percent increase in facilities-based lines. See Brief Att. A, Ex. 5. There also has been a nearly 320-percent increase in stand-alone loops and a more than 100-percent increase in interconnection trunks. See id. Similarly, in the first six months since Verizon's entry in Massachusetts, CLECs added more than 24,000 lines per month in that state. See Brief Att. A, Ex. 6. And, in Pennsylvania, CLECs have added more than 25,000 lines per month since the Pennsylvania PUC endorsed Verizon's section 271 application in June 2001. See Brief Att. A, Ex. 7.

**B. Local Markets in New Jersey Will Remain Open After Verizon Obtains Section 271 Approval.**

Even apart from the marketplace realities demonstrating that the local market not only is open, but irreversibly so, there simply is no realistic risk that Verizon could close the local

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<sup>92</sup> See New York PSC, Analysis of Local Exchange Competition in New York State at 17 (2001).

<sup>93</sup> See id. at 3-4.

market or deter further entry. For one thing, Verizon's compliance has been, and will continue to be, closely scrutinized by both competitors and state and federal regulators. For another thing, Verizon is subject to comprehensive performance reporting and performance assurance plans that put a substantial amount of remedy payments at risk annually.

**1. The Regulatory Framework in New Jersey Strongly Favors Competition.**

As in Verizon's 271-approved States, the process of opening local markets began in New Jersey even before the Act was enacted, and has continued since. Most significant here, the New Jersey BPU has conducted extensive proceedings to evaluate Verizon's compliance with the competitive checklist.

The BPU first initiated proceedings to verify Verizon's compliance with section 271 in March 1997. Over the next several years, the BPU addressed issues of Verizon's section-271 compliance in connection with its various proceedings to implement the 1996 Act and promote local competition.<sup>94</sup> On September 5, 2001, Verizon filed a brief and supporting declarations demonstrating that Verizon complied with the requirements of section 271, and requesting that the BPU support Verizon's section 271 application. See App. B, Tab 1. In response to Verizon's filing, the BPU initiated a new docket and closed two older 271-related dockets. See Consultative Report on the Application of Verizon New Jersey Inc. for FCC Authorization To Provide In-Region, InterLATA Services in New Jersey, Procedural Order, Docket Nos.

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<sup>94</sup> See, e.g., Investigation Regarding Local Exchange Competition for Telecommunications Services, Decision and Order, Docket No. TX95120631 (NJ BPU Dec. 2, 1997) ("Generic Order") (App. E, Tab 1) (setting rates for UNEs, interconnection, and resale services); Investigation Regarding the Status of Local Competition in New Jersey, Summary Order, Docket No. TX98010010 (NJ BPU Oct. 6, 2000) (App. E, Tab 4) (establishing guidelines for the provisioning of UNE-P, collocation arrangements, extended loops, and access to advanced services facilities); Investigation Regarding Local Exchange Competition for Telecommunications Services, Order, Docket Nos. TX95120631 & TX98010010 (NJ BPU July 13, 2000) (App. E, Tab 9) (adopting Carrier-to-Carrier Guidelines); C2C Guidelines Order (modifying Carrier-to-Carrier Guidelines).

TO01090541, TX98010010, & TO97030166, at 4 (NJ BPU Sept. 27, 2001) (“Procedural Order”) (App. B, Tab 2).<sup>95</sup> The BPU directed interested parties to file comments regarding Verizon’s request, and provided the opportunity for interested parties to file responsive affidavits and to conduct discovery. See id. at 8-9. The formal record in Docket No. TO001090541 includes submissions totaling thousands of pages from Verizon and more than a dozen other principal parties. Verizon also has responded to more than 500 interrogatory requests, questions, and data requests from the BPU staff and CLECs. There also have been seven days of hearings, filling more than 1,600 pages of transcript. See App. B, Tabs 5-11.

Of course, the BPU’s efforts have not been limited to its section 271 proceeding. Even before it established a proceeding to evaluate Verizon’s compliance with the checklist, the New Jersey BPU conducted proceedings to foster local competition and to implement the requirements of the 1996 Act. In particular, the BPU conducted an “active review and modification of [Verizon’s] proposed unbundled network element prices” and demonstrated its “commitment to TELRIC-based rates.” New York Order ¶ 238; Massachusetts Order ¶ 27. And as demonstrated below, the outcome of the BPU’s pricing proceeding is entirely consistent with the Act and Commission precedent.

**a. The BPU Initially Established TELRIC Rates for UNEs in the Generic Proceeding — Docket No. TX95120631.**

On December 8, 1995, the BPU initiated a “generic” proceeding designed to determine the appropriate rates for local telephone service. See Garzillo/Prosini Decl. ¶ 10. Verizon, numerous CLECs, the New Jersey Ratepayer Advocate, and the BPU’s staff participated in 25

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<sup>95</sup> The BPU closed Docket No. TO97030166 (the initial docket opened in 1997 to verify Verizon’s compliance with section 271) and Docket No. TO96080597 (a docket opened to consider a petition by MCI seeking investigation of issues arising under section 271). See Procedural Order at 4.

days of hearings held between September 1996 and February 1997. See id. ¶ 11. On July 17, 1997, the BPU announced its decision in this proceeding, and on December 2, 1997 the BPU issued a written order memorializing those decisions. See id. ¶ 14. The BPU found fault with the each of the cost models proposed during the proceeding, and resolved to set rates based on a weighting of the models “so as to discount each model to reflect and remove [its] deficiencies and flaws.” Generic Order at 69. The BPU applied a 60-percent weight to Verizon’s cost model and a 40-percent weight to the Hatfield model that AT&T and WorldCom supported. See Garzillo/Prosini Decl. ¶ 14.

AT&T and WorldCom each challenged the rates that the BPU established in federal district court. See id. ¶ 16. The court found that the BPU’s decision to “weight the models rather than . . . search for the ‘perfect model’” reflected a “common sense” approach, but ultimately concluded that the BPU had not provided sufficient explanation for the weights it assigned to each model. AT&T Communications of New Jersey, Inc. v. Bell Atlantic-New Jersey, Inc., Nos. 97-5762 & 98-0109, slip op. at 27-28 (D.N.J. June 6, 2000) (App. J, Tab 4). On this basis, the court remanded the matter, directing the BPU to reevaluate its UNE rates. See Garzillo/Prosini Decl. ¶ 17. As a result, the court never ruled on the claim made by certain CLECs that the actual rates established by the BPU failed to comply with TELRIC. See AT&T Communications, slip op. at 31.

**b. The BPU Set Final TELRIC Rates for All UNEs in Docket No. TO00060356.**

The BPU opened a new TELRIC proceeding — Docket No. TO00060356 — on June 1, 2000, one day before the district court issued its decision. See id. On June 28, 2000, the BPU requested that all interested parties supplement the record from the Generic Proceeding. See id. ¶ 19. Pursuant to that request, Verizon and numerous other parties filed affidavits, revised cost



studies, and pre-filed testimony in July and October of 2000. See id.

Between November 28, 2000 and February 8, 2001, the BPU conducted 17 days of hearings, at which 26 witnesses testified, generating 3,900 pages of transcript. See id. ¶ 20; TELRIC Order at 1. At the close of these evidentiary hearings, the parties continued to exchange information through responses to transcript requests. See Garzillo/Prosini Decl. ¶ 21. Verizon responded to more than 750 discovery requests, totaling approximately 1,100 questions. See id. All interested parties also had the opportunities to brief the factual and legal issues raised during the proceeding. See TELRIC Order at 1. On June 1, 2001, the BPU finally closed the record to further discovery. See Garzillo/Prosini Decl. ¶ 21.

Based on this “complex and voluminous record,” the BPU established rates that it has determined are entirely consistent with the FCC’s TELRIC methodology. TELRIC Order at 1, 14. The BPU initially announced its decision at its November 20, 2001 public meeting. See Review of Unbundled Network Element Rates, Terms and Conditions of Bell Atlantic New Jersey, Inc., Board Meeting Transcript, Docket No. TO00060356, at 2-3 (NJ BPU Nov. 20, 2001) (“November 20, 2001 Transcript”) (App. F, Tab 5). On December 17, 2001, the BPU issued a summary order that “memorializes the decision of the [BPU] at its public agenda meeting of November 20, 2001.” TELRIC Order at 1.

In reaching its decision, the BPU announced that it would accept Verizon’s proposed cost model, but would change what it described as six “critical” inputs: fill factors, use of digital loop carrier, support structure costs, cost of capital, depreciation, and expense factors. See id. at 4-6; Garzillo/Prosini Decl. ¶ 22. The BPU ordered Verizon to revise its cost studies to reflect the BPU-ordered changes to the six inputs in Verizon’s model. See Letter from Henry M. Ogden, Secretary, New Jersey BPU, to Bruce D. Cohen, Verizon (Nov. 20, 2001) (App. F, Tab 6); see